



STATE OF NEW JERSEY

Board of Public Utilities

*Two Gateway Center
Newark, NJ 07102*

IN THE MATTER OF THE RATE)	<u>ENERGY</u>
UNBUNDLING FILINGS BY GAS)	
PUBLIC UTILITIES PURSUANT TO)	ORDER ESTABLISHING
SECTION 10, SUBSECTION A, OF THE)	PROCEDURES
ELECTRIC DISCOUNT AND ENERGY)	
COMPETITION ACT OF 1999)	Docket No. GX99030121

(SERVICE LIST ATTACHED)

BY THE BOARD:

On February 9, 1999 Governor Christine Todd Whitman signed into law the "Electric Discount and Energy Competition Act," P.L. 1999, c.23 ("the Act"). Section 10, subsection a. of the Act provides that the Board shall order each gas public utility to unbundle its rate schedules such that discrete services provided, which were previously included in the bundled utility rate, are separately identified and charged in its tariffs. This subsection of the Act further requires that the Board order each gas public utility to submit a rate unbundling filing no later than May 1, 1999, in a form and of a content to be determined by the Board.

All commercial and industrial ("C&I") natural gas customers of gas public utilities in the state have had the ability for several years, pursuant to prior Board Orders, to choose their supplier of natural gas, with transportation service provided by the local distribution company pursuant to unbundled transportation tariffs. A limited number of residential customers have had the ability to choose their retail natural gas supplier under various pilot programs throughout the state. The Act maintains retail natural gas choice for all C&I customers, and requires that all residential customers be able to choose a competitive supplier by no later than December 31, 1999. Accordingly, the primary overall purpose of the gas rate unbundling filings is to commence

proceedings which will ultimately result in Board decisions to adopt rates to implement residential retail choice by December 31, 1999. Furthermore, the Board may determine, based upon the record in these proceedings, to revise current C&I transportation and related unbundled rates. More specifically, the primary purpose is to establish for each gas public utility the appropriate charge for basic gas supply service, applicable to each customer class as that term is defined and utilized in the Act, and the appropriate amount to be deducted from the bill of a gas public utility customer who chooses a competitive supplier to reflect the fact that such customer no longer takes basic gas supply service. Additionally, the purpose of the proceeding is to establish appropriate charges for other retail choice-related services provided by gas public utilities such as balancing services. Also, because customers are permitted in the Act the choice of receiving billing services from a competitive supplier as opposed to the gas public utility, the Board will establish the appropriate customer bill credits, if any, applicable to the bill for those customers who receive billing services from their competitive supplier.

We note that the Act does not require any adjustment to the overall aggregate level of rates for gas public utilities, as is the case with respect to the implementation of electric retail choice and rate unbundling as provided in section 4 of the Act. Moreover, section 10 subsection a. of the Act requires that rate unbundling resulting from these proceedings not result in reallocation of utility cost responsibility between or among different classes of customers. Accordingly, it is the Board's determination that the gas rate unbundling proceedings are not to be considered base rate cases. However, the Board will entertain proposals via testimony with respect to the treatment and potential recovery of lost revenues, if any, associated with rate unbundling proposals.

In accordance with the foregoing, the Board **HEREBY ESTABLISHES** a gas rate unbundling filing deadline of April 30, 1999 applicable to the state's four gas public utilities. Each filing shall, at a minimum, include the following:

A proposed basic gas supply rate(s) applicable to each customer class;

A proposed unbundled billing credit(s) applicable to those customers who receive billing services from a third party supplier;

A separate Societal Benefits Charge ("SBC") to recover all Remediation Adjustment Clause ("RAC") expenses, Demand Side Management ("DSM") program expenses and other expenses reasonably incurred by the Company, currently in rates and recoverable via the SBC pursuant to section 12 of the Act;

A proposed regulatory asset charge, if applicable; and

A proposed transportation rate.

All unbundled rate components filed must be supported with underlying work papers and supporting testimony.

Additional information to be included in the gas rate unbundling shall include the following:

1. 1998 Design Peak Day
 - Total
 - Contribution By Customer Class
2. Non-Coincident Peak Demand by Customer Class
3. 1998 Forecasted Normal and Actual Throughput
 - Total
 - By Customer Class
4. 1998 Forecasted Normal and Actual Sales
 - Total
 - By Customer Class
5. Normal degree days by month and 1998 actual degree day variance by month
6. 1998 Number of Customers
 - Total
 - By Customer Class
7. 1998 BPU Report and FERC Form 2 Report
8. 1998 Totals for each FERC account as follows:
 - Balance Sheet Chart of Accounts
 - Gas Plant Chart of Accounts
 - Income Chart of Accounts
 - Operation and Maintenance Expense Chart of Accounts
9. Current LGAC: provide a breakdown of all cost components and amounts of each included in the LGAC, with identification for each to a specific FERC account
10. Copy of most recent LGAC filing
11. Marginal Cost Analysis: an analysis which shows which costs vary directly with increase/decrease in planned sales and design peak day due to gain/loss in sales customer;
12. Capital Structure as of 12/31/98;
13. Embedded Cost of Debt as of 12/31/98;
14. 1998 annual depreciation expense and underlying depreciation rate for the following plant accounts:
 - Production Plant (Acc 304-338)
 - Natural Gas Storage and Processing Plant (Acc 350-364)

The rate unbundling filings of each of the gas public utilities are being assigned docket numbers as follows:

Elizabethtown Gas Co. GO99030122
New Jersey Natural Gas Co. GO99030123
Public Service Electric and Gas Co. GO99030124
South Jersey Gas Co. GO99030125

A gas public utility may file a motion within 15 days of the date of this Order requesting that certain of the elements of the gas rate unbundling be subsumed within existing proceedings, to the extent that any of the unbundled rate components or information required herein above have previously been filed and are already the subject of review under separate dockets.

Interested parties may commence submitting appropriate motions for intervention into the proceedings at any time subsequent to the effective date of this Order. All motions being filed should reference both the generic gas rate unbundling docket affixed to this Order, as well as the docket number assigned to the individual company proceeding for which intervention is being sought, as set forth above. All parties granted intervenor status will be required to conduct themselves within the procedural schedule set forth below.

Upon submission by a gas public utility of its gas rate unbundling filing intervenors, including the Ratepayer Advocate and Staff, may commence discovery consistent with the following schedule. Initial discovery shall be served on the appropriate utility by no later than May 21. All responses will be due within 10 business days from the date of receipt. Follow-up discovery shall be served on the appropriate utility by no later than June 11. Responses to follow-up discovery will be due within 5 business days from the date of receipt. Intervenor testimony will be filed by no later than July 16. Intervenor testimony shall consist of two sections as follows. The first section shall address generic policy and methodological issues. The second section shall address specific numerical issues, such as specific proposed rates, applicable to individual gas public utilities. Initial discovery on intervenor testimony shall be served by no later than July 28. Responses will be due within 10 business days from the date of receipt. Follow-up discovery shall be served on the appropriate intervenor by no later than August 18. Responses will be due within 5 business days from the date of receipt. Rebuttal testimony shall be filed by the gas public utilities by no later than August 31. Surrebuttal testimony shall be filed by intervenors no later than September 7.

The Board will establish a specific hearing schedule for both generic policy and methodological issues, as well as Company-specific issues; the current target hearing dates are approximately September 9 through September 22. Upon the completion of hearings the Board

will establish a briefing schedule. The current target schedule is to complete the submission of briefs and reply briefs by approximately October 22; in order to permit the Board to render decisions, in lieu of any settlements, by the end of November, in preparation for the commencement of residential retail choice by December 31, 1999.

DATED: 3/17/99

**BOARD OF PUBLIC UTILITIES
BY:**

Signed
**HERBERT H. TATE
PRESIDENT**

Signed
**CARMEN J. ARMENTI
COMMISSIONER**

ATTEST: MARK W. MUSSER
SECRETARY